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Democrats Fight to Preserve and Strengthen Medicare

Medicare faces demographic and fiscal pressures even more pressing than those facing Social Security. The number of Medicare beneficiaries will increase by over one-third by 2015, from under 40 million now to 53.5 million in 2015, and roughly double by 2030. The financial strain on Medicare caused by this increase cannot be accommodated through provider payment reductions alone—such cuts would be too deep to be absorbed by providers without sacrificing quality of care for beneficiaries. Waiting to address Medicare's financing makes the problem much harder to solve and shifts the burden to our Nation's children.

Democrats want to strengthen, protect, and modernize Medicare. Democrats believe that we should reserve one-third of the projected budget surplus over the next ten years (excluding Social Security surpluses) to strengthen and modernize Medicare. These funds should be used to extend the solvency of Medicare; provide a much-needed prescription drug benefit; and ensure access to high quality care by addressing the unintended consequences of the *Balanced Budget Act of 1997* (BBA).

What a difference a year makes. Last year, Republicans claimed that they would make saving Medicare a top priority.

"Medicare is in crisis. We want to save Medicare first."

—Senator Phil Gramm, March 17, 1998
Budget Committee markup of the
FY 1999 Budget Resolution

“For every dollar you divert to some other program you are hastening the day when Medicare falls into bankruptcy, and you are making it more and more difficult to solve the Medicare problem in a permanent manner into the next millennium.”

—Senator Pete Domenici, March 17, 1998
Budget Committee markup of the
FY 1999 Budget Resolution

Yet this year, the Republican tax bill does not reserve any of the on-budget surplus for Medicare.

Democrats are committed to ensuring that Medicare meets the needs of older Americans. Rather than consuming the surplus today, Democrats believe that we should reserve one-third of the projected budget surplus to address Medicare, including extending the life of the Medicare trust fund. The Medicare Hospital Insurance Trust Fund is projected to run out of money in 2015. Republican tax breaks would consume most of the on-budget surplus, leaving critical needs of Medicare beneficiaries unaddressed. Democrats stand ready to preserve and strengthen the Medicare program.

Democrats believe drugs are a standard part of adequate health insurance coverage and should be covered by Medicare too. Break-throughs in the pharmaceutical industry continue to make access to prescription drugs more and more important. Prescription drug coverage was not a standard part of health insurance when Medicare was enacted because drugs were not as important to health care. Now, drug coverage is a part of virtually all employer-based plans. Democrats believe all Medicare beneficiaries need and deserve prescription drug coverage.

Medicare beneficiaries need drug coverage. Prescription drugs are the largest out-of-pocket health care cost for seniors. Over 85 percent of Medicare beneficiaries take at least one prescription medicine, and the average senior citizen fills eighteen prescriptions per year. More than half of the cost of these drugs comes directly out of seniors' pockets. Seniors who cannot afford drug coverage often do not take the drugs their doctors prescribe, and one of every eight senior citizens sometimes is forced to choose between buying food and buying medicine.

Three out of four Medicare beneficiaries lack decent, dependable private-sector coverage of prescription drugs. At least one-third of Medicare beneficiaries have no drug coverage at all. Only one-fourth of Medicare beneficiaries have retiree drug coverage, and firms offering

retiree health coverage have declined by 25 percent in the last four years. While eight percent of beneficiaries purchase a Medigap policy with drug coverage, premiums are expensive and increase with age. About 17 percent of beneficiaries have coverage through Medicare managed care; however, this source of coverage is unstable due to declining enrollment, Medicare HMO withdrawals in many markets, and the shrinking scope of drug coverage. Medicaid provides some prescription drug coverage, yet participation in Medicaid by those eligible (75 percent of poverty, about \$6,000 for an individual and \$8,500 for a couple) remains low.

The Republican tax bill does nothing to provide a Medicare prescription drug benefit. The Republicans claim that they will address Medicare later, but they offer no guarantee that any funds will be available for a prescription drug benefit. By leaving none of the on-budget surplus for Medicare, Republicans choose exploding tax breaks over a Medicare prescription drug benefit.

Democrats take action to address unintended consequences of the *Balanced Budget Act*. The BBA included important changes to Medicare payment policies that have contributed to restraining cost growth through 2002 and extending the life of the Medicare Trust Fund through 2015. Some of the BBA policy changes, however, may have unintended consequences for teaching hospitals, skilled nursing facilities, home health providers, rural and other community hospitals, and other health care providers. Democrats recognize the need to adjust some of the BBA policies and to moderate the impact of the BBA on some health care providers' ability to deliver quality services to beneficiaries.

Republicans leave nothing for Medicare. The Republican tax bill reserves none of the on-budget surplus for Medicare. It reserves nothing for a Medicare prescription drug benefit, nothing for extending the life of the Medicare program and nothing to address the unintended consequences of the *Balanced Budget Act*. Instead, the Republicans choose tax breaks over addressing the challenges created as the baby boomers begin to retire and to participate in the Medicare program. Republicans have rejected every attempt to modify their bill to address these issues.